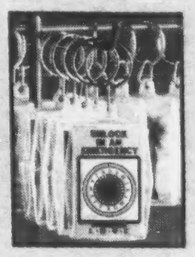
11/10/87 C5150-2

Super D franchise drive launched —Page 2

Trends: New condom products —Page 15



Kroger tests MD dispensing —Page 25

DRUG STORE NEWS®

Vol. 9/No. 22 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. November 9, 1987

CRASH! Puzzled execs 'take stock'

Chain drug stock prices plunge 32%

Company	Aug. 25	Oct. 26	% change
American Stores	$ 83.75	$ 54.125	–35%
Arbor Drug	14.75	8.50	–42
Begley Drug	18.00	13.50	–25
Big B	13.375	9.50	–29
Fay's Drug	9.125	6.125	–33
Genovese Drug	11.44*	10.25	–10
Longs	37.75	28.00	–26
Medicare-Glaser	4.125	2.50	–40
Medicine Shoppe	22.50	18.00	–20
Pay 'n Save	7.375	4.375	–41
Perry Drug	11.00	6.75	–39
Rite Aid	41.75	29.75	–29
Walgreens	43.875	26.75	–39
Total	$318.82	$218.13	–32%

*Adjusted to reflect an Oct. 7 three-for-two stock split

Source: Media General Financial Services

By David Vaczek

NEW YORK — Fay's Drug decided to rebuy up to one million common shares after its stock price skidded 33 percent between Aug. 25, when the Dow Jones Industrial Average peaked, and late October, when the market crashed.

Alco Health Services spent last month accelerating its stock buyback because its shares nosedived from $17.75 to $12.25 apiece, chairman John Kennedy told *Drug Store News*.

Similarly, Bindley Western's board endorsed a one million share buyback it called "an attractive investment," after its stock dropped 27 percent.

These are some of the efforts taken by drug retail and wholesale public companies to support their stock prices

Executives at major companies expressed confidence about prospects.

and garner some Wall Street bargains at the same time.

In addition, Douglas Drug, the Rhode Island chain which operates 14 super drug stores, has put its plans to go public on hold until the stock market stabilizes, said chairman John Haronian.

Despite the industry stock crash along with the market last month, executives at major industry companies expressed guarded confidence about business prospects.

An exclusive *Drug Store News* industry index shows that 13 drug retailer stocks lost 32 percent of their total value between Aug. 25 and Oct. 26. Nine stocks of drug wholesalers declined in market worth by 39 percent. This compares with a 34 percent loss in value of the Dow Jones Industrial Average, which had peaked on Aug. 25.

"It's ironic, because the economic health of the drug

See **Crash,** *page 33*

Sells absorbs Revco domain

. . . but he's mute on plans

By Bruce Buckley

TWINSBURG, Ohio — Boake Sells listens.

The new chairman and chief executive of Revco D.S. Inc. has spent much of his first days on the job absorbing what people in the company, vendors and even competitors have to say about his new domain.

"I've been filling my head up with the company and its opportunities," Sells told *Drug Store News*.

But like a general surveying the field of an upcoming battle (his analogy), the former Dayton-Hudson president is delaying as long as possible his commitment to a specific plan of attack.

Boake Sells in his new Revco quarters.

Skirts selloff issue

During an hour-long interview at Revco's Twinsburg, Ohio, headquarters, Sells talked mainly in general terms about Revco's future. He politely avoided questions about selloffs of drug stores and abandonment of markets.

But he did make several disclosures about other matters, including the following:

- Revco has spoken to "some people" about the sale of its problem-plagued Odd Lot Trading division. Sells stopped short, however, of saying that the 150-store division is on the auction block.

See **Sells,** *page 33*

Hook Co. to buy 19 Eckerd units

First expansion since buyout

CINCINNATI — In its first major expansion since going private last year, Hook-SupeRx Inc. is buying 19 Eckerd stores in Virginia and West Virginia, the company said in an Oct. 21 filing with the Securities and Exchange Commission.

HSI will pay $6.6 million for store fixtures, inventory, and leasehold improvements in a deal that should help it build market share for its SupeRx division. SupeRx currently operates 24 stores in Virginia and 18 in West Virginia.

The agreement was made with Jack Eckerd Corp. Oct. 6, with a prediction the deal would be concluded in November.

HSI posts sales growth, meets LBO costs — Page 8

The buy will follow HSI's first public report on its operations since the Dec. 9 leveraged buyout, which shows the

See **Hook,** *page 33*

LATE NEWS

- LIVERPOOL, N.Y. — Lawrence J. Rose has been named new president and coo of Fay's, according to chairman/ceo Henry Panasci Jr. Rose moved from Thrift Drug, where he served 21 years, most recently as executive vp.
- CLEARWATER, Fla. — Eckerd withdrew its offer to sell 31 Maryland, Delaware and New Jersey stores after getting several insufficient bids. The company plans "to grow" those markets, and to remodel 10-12 stores there in 1988.
- YOUNGSTOWN, Ohio — Deep discounter Phar-Mor has received a $50 million senior subordinated debt facility from Westinghouse Credit to finance the addition of 100 stores in 1988 and 1989, and enlarge some of its 52 existing stores.
- TWINSBURG, Ohio — Revco D.S. has returned display fixtures to Gibson Greetings, ending one aspect of the $27.5 million lawsuit filed against the chain by the card vendor. The rest of the case is in discovery, an attorney said.

Pay Less purchases 24 Oscos

By Pamela Krein

WILSONVILLE, Ore. — Pay Less NW has firmed its grip in the Pacific Northwest with its recent purchase of 24 Osco Drug stores for an undisclosed amount.

The deal also brings Pay Less into Spokane, Wash., for the first time, and furthers Osco's realignment efforts. Last June, Osco swapped 11 Northern California stores and one Colorado site for 10 Longs Drug stores in Phoenix (See *Drug Store News*, July 6, 1987).

Pay Less NW store count in four states

State:	Before Osco acquisition	Oscos acquired	Current total
Washington	36	12	48
Oregon	50	1	51
Idaho	7	10	17
California	134	1	135

*Pay Less NW also operates stores in Nevada, Texas, Colorado, Montana, Oklahoma and New Mexico.

Source: Pay Less NW

The purchase included 12 Osco stores in Washington, 10 in Idaho, one in Oregon and one in San Jose, Calif., and raised the Pay Less store roster to 248. Osco said it is now completely out of the Pacific Northwest and San Francisco

See **Pay Less,** *page 33*

NEWS IN BRIEF

Bindley opens North Carolina DC

INDIANAPOLIS — Calling it the "new Atlanta" of the Southeast, Bindley Western Industries is moving into the Charlotte, N.C., market with a new 20,000-square-foot distribution center.

The facility is set to open in late December and will be operating by early January, C. Richard Zartman, president of Bindley Western Drug Co., told *Drug Store News*.

"We think Charlotte offers great growth opportunities," Zartman said. Sales and distribution functions will be handled from the new center, the drug wholesaler's 10th division.

Zartman estimated start-up costs at between $2 million and $3 million. He predicted that the new division will eventually generate more than $200 million in sales and employ about 20 people.

Stanley L. Neal has been named the general manager for the Charlotte facility, reporting to Zartman. Neal was previously director of the company's Prime Vendor Purchasing Program and assistant general manager of the Mid-South Division in Atlanta.

The Indianapolis-based company operates distribution centers in Orlando, Fla.; Houston, Phoenix, Dallas, Los Angeles, Atlanta and Indianapolis, and wholly-owned subsidiaries in Stamford, Conn., and Brockton, Mass. Bindley Western is one of the largest drug wholesalers in the country, with sales to exceed $1 billion in 1987, according to the company.

Boys' earthquake loss reported

LOS ANGELES — Financial losses from the Oct. 1 earthquake here are starting to appear on company earnings results. The Boys Markets, a chain of one drug store and 54 supermarkets, posted an extraordinary charge of $449,000 in the third quarter resulting from the quake, which registered 6.1 on the Richter scale.

While 30 to 40 of the stores only sustained minimal damage of about $100, approximately 10 stores each recorded $20,000 or more in damage, according to George Golleher, Boys senior vp.

Golleher said the damage was "predominantly product" with few structural problems. "We basically were very lucky."

The extraordinary charge impaired earnings growth in the quarter ended Oct. 4, to $2.62 million on sales of $174 million. In the previous year, the company posted third quarter net income of $2.20 million on sales of $149 million.

For the first nine months of the year, Boys reported sales of $408 million and income of $7.06 million. These figures cannot be compared to the previous year, since Boys operated under a different company during the first quarter of fiscal 1986.

Adams takes post at Revco

TWINSBURG, Ohio — Revco D.S. has named Ian J. Adams director of strategic computing, responsible for all data base, end-user computing and decision support systems.

Adams, 40, a native of Britain, was previously with Firestone Tire and Rubber Co., where he served as manager of decision support, microcomputing and office services.

INDEX

Ads and Promotions	4
Beauty Beat	18
Category in Motion	20
Editorial	6
Financial	34
People in the News	13
Pharmacy	25
Product Update	21
Supplier News	23
Technical Update	22
Trends/Condoms	15
Household Supplies	16

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1987 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 22 November 9, 1987

SuperD franchise drive launched

Chain now at eight units; 100 targeted within five years

MEMPHIS, Tenn. — SuperD has launched a major franchise program that underscores parent Malone & Hyde's commitment to the drug business, company officials said.

The effort will expand a current roster of eight drug stores to 100 in five years, as the franchise growth rate outstrips that of corporate-owned stores, which number 101 today, Bob Billings, drug division president, told *Drug Store News*.

The program signals a recommitment to the drug retail and wholesale side, two years after M&H, primarily a food wholesaler, had sought purchase bids for its SuperD drug business.

Interior of a SuperD franchise in Memphis, Tenn.

The $3 billion company had sought to sell the stores during a period when drug chains were selling at high multiples, but failed to receive an adequate offer when a buyers' market began to prevail, Billings recalled.

The drug division now plans to use franchising as the best way to achieve M&H's high return on investment goals, and meet tighter cash flow requirements imposed by its Sept. 1984 $585 million management leveraged buyout, Billings said.

"We don't have to spend $350,000 to open a new store," said Billings, noting that franchise developement requires little asset investment.

Billings said one-year-old M&H Franchising Inc., a reorganized franchising operation, has started marketing aggressively to independents within SuperD's ADIs within a 300-mile radius of Memphis.

"We have an awful lot of interest from independents in small towns, where we can't go with corporate stores," said Billings.

Independents have become more receptive. "There is a real dilution occurring in most markets, because most of the large supermarkets feel they need a pharmacy, and they're taking a big slice of the H&BA pie," Billings said.

The 200 independent pharmacies supplied by M&H are candidates.

Corporate units are being targeted for sites that can promise a fast payback. "We plan to take all of the sites that we project will hit our five-year hurdle rate. We're managing cash, and we don't want to take locations that don't have a pretty quick payoff," Billings said.

M&H had bought back its 15 outstanding franchise contracts two years ago when it attempted to sell the SuperD stores and leave the drug business. At one time SuperD had about 35 franchise stores.

After a year without franchising, the franchise program was reorganized last year, using a separate staff to allow a tighter focus on franchise marketing and support. Franchises under the old program were sometimes slighted in favor of corporate stores, when district managers had responsibility for both, officials said.

Ron Lewis, a former district manager and SuperD franchise owner, is director of franchising, with a beefed-up 10-person staff that may expand to 13 this year, Billings said.

Billings said at least 12 more franchises will open in fiscal 1988, ending Sept. 1, making over 20 by year's end. Expansion will continue at the pace of 20 to 25 a year.

"I'm confident that we will make that, and I suspect we will exceed it significantly," said Billings.

Lewis said the growth is on target after stores number seven and eight were signed in Memphis and Jackson, Miss., last month.

"We're offering the pharmacist the ultimate goal of owning his own store. It's one of the strongest recruiting tools we have," said Lewis.

SuperD looks for strong independents, with growth potential. The average new franchise builds sales 30 percent in the first year, Lewis said.

Stores range from 3,500 square feet to 7,200 square feet and sport the chainwide black, red and gray decor. Their format is based on the convenience-oriented layout of SuperD corporate stores. That includes gondolas slanted toward a center aisle which channels shoppers from the front entrance to the rear-of-store pharmacy.

Franchises also receive custom pricing, rebate incentives for buying merchandise from M&H, the Hyde Park and Professional Touch private label products, free accounting services and third-party bill processing.

Besides an upfront inventory investment that varies, the independent pays a 3 percent of sales royalty, and an added 1½ percent for advertising, including regular circulars and coupon books.

M & H to begin licensing 'Consumer's' apothecaries

MEMPHIS, Tenn. — Malone & Hyde's drug division will begin franchising apothecary-sized stores under the "Consumer's" banner.

"We feel this will have a lot of appeal for pharmacists who want to get into business for themselves, but don't want the front end," drug division president Bob Billings told *Drug Store News*.

The program will be developed under the drug division's one-year-old franchising arm—M&H Franchising Inc.—to set up stores in markets where the drug division currently operates.

It offers the same potential for high return on funds invested as does the division's current push for franchising its conventional-sized SuperD drug stores, Billings said.

The franchises will assume the name of the 38-store Consumer's chain of 1,800-square-foot to 2,800-square-foot stores in Arkansas, Oklahoma, Wisconsin and Missouri that will be retained as corporate stores.

M&H also owns and operates the chain of bantam Petty stores based in Little Rock, Ark., and the Pay Rite chain in Springfield, Mo. Billings said southern Missouri franchise stores might be offered the Pay Rite label, since the Consumer's logo isn't available for M&H to use in that state.

Consumer's' pharmacies typically account for 85 percent of sales, with the remainder from a front-end of cherry-picked OTC and cosmetics products.

A Consumer's franchise would be one of a small handful of chains of franchised apothecary stores in the country. Besides Medicine Shoppe, the coast-to-coast 700-unit franchisor, only the the 63-store Medicap Pharmacies Inc. of Des Moines, Iowa, uses the concept.

Billings said first-time owners won't be the only prospects for a franchise. The crush of competition—particularly from Wal-Mart, which is putting pharmacies into its small town market stores—is pressuring independents to seek out survival routes.

TRENDS

Household Supplies

Household supplies promos help buyers clean up

Drug chains have activated household chemicals' traffic and profit benefits through regular promotions priced within pennies of the competition, chain merchandisers say.

Household cleaners and fresheners are strong traffic builders when stores are willing to go to the mat on price and keep updated assortments of the task-specific new brands shoppers want, said buyers.

Many buyers said they promote at or slightly above cost, using vendors' payments for shipped merchandise to subsidize advertising or insure the category creates a net profit.

Some chains then recover margins through everyday departments that capture the convenience buy, often at convenience store prices.

Douglas Drug of Rhode Island posts strong sales when it promotes such items as liquid dishwashing detergent and laundry detergent, said a chain merchandiser.

"We're very fast to react to new products. We jump on it, give it distribution, and schedule it for an ad, and we enjoy tremendous sales at full price [spurred by vendor coupons]," he said.

Douglas then typically follows up with an ad feature of its own with cents off the everyday price.

"We've found when we tie a promotion in with manufacturer couponing, we get phenomenal sales," he said.

Douglas reserves in-and-out promotions for merchandise that is bought on deal (off-label, bonus packs). It carries a 36-foot everyday section of detergents and cleaners that produces "a fair margin." "It's an added sale that helps us create a one-stop shopping image," he said.

Harco generates 20 percent margins from a 24-foot everyday section, though most of its sales come from in-and-out center-aisle stackouts promoted at cost, said Keith Connell, director of merchandising. Top movers have been Texize's Yes, Liquid Tide, and Procter & Gamble's new Dash in introductory promotions.

To keep up with new SKUs that consumers want, Harco may expand footage. Competitors, including Revco and Eckerd, feature 48 feet.

Connell isn't alone in feeling pressure to expand assortmemts. Vendors' steady unveiling of new brands is fueling strong category growth, as consumers respond to more task-specific products.

"The name brand guys are pushing quality, and it works," said Chris Anthony, a merchandiser with Pay 'n Save. Where an all-in-one cleaner once sufficed, for example, shoppers now look for cleaners targeted for specific surfaces, such as tile, bathroom, vinyl, and formica, Anthony noted.

While seeking quality, shoppers are also more attuned to value, possibly a result of the influence of the price clubs on the West Coast. The result has been closer shopping of larger sizes at the Seattle chain, says Anthony.

"The more competitive prices seem to be falling on the larger sizes. People are willing to buy in quantity to save" and stock up, Anthony said.

Pay 'n Save combines a regular 48-foot planogram capturing the convenience purchase demand, with promotions at or near cost.

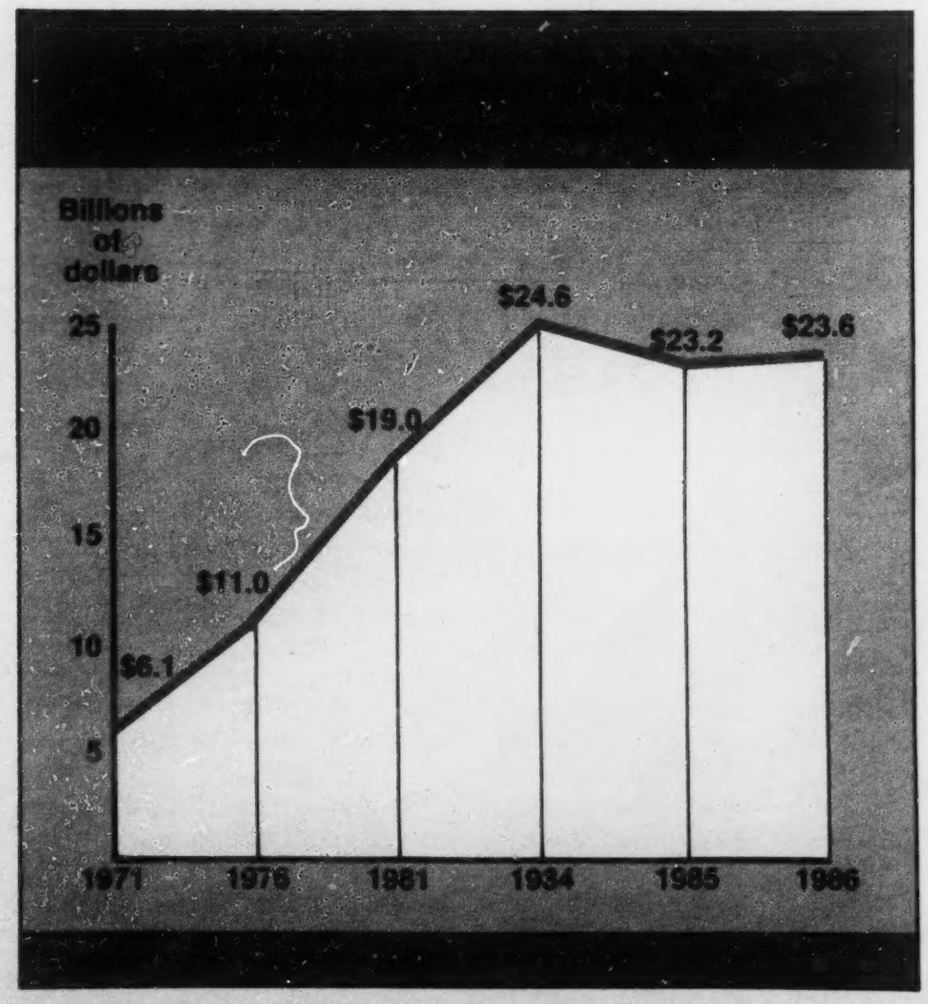
Chemicals accounted for three of six items featured in a September Pay 'n Save "Super Six" sale newspaper ad, with a 1-gallon Clorox bottle at 89¢, Tide (72 ounces) at 40 percent off at $2.99, a one-third-off $1.39 value for a 22-ounce Windex.

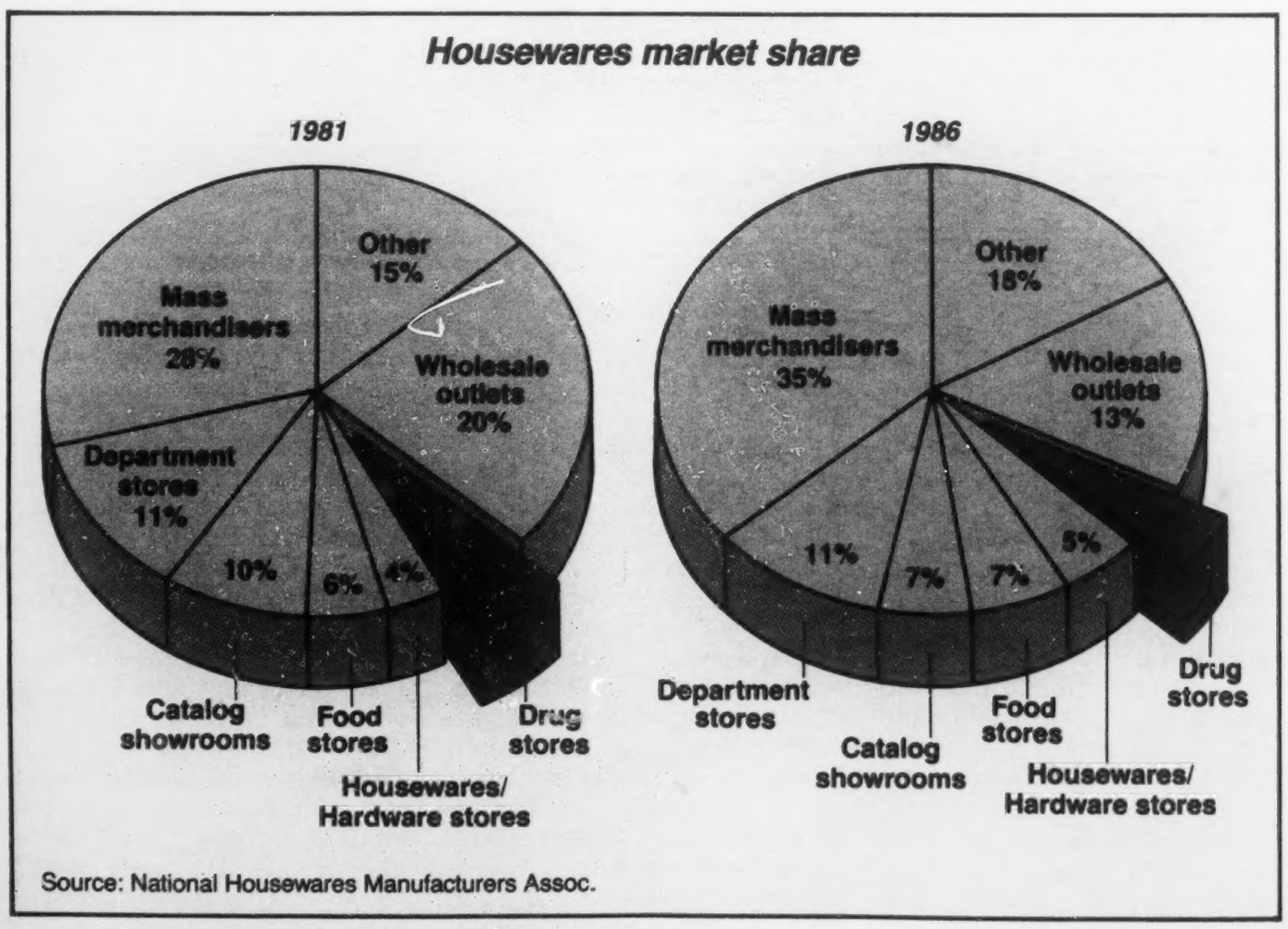
Since price competitiveness is critical in this high replenishment category, small chains can be hampered if they can't receive buying efficiencies to battle supermarkets and mass merchandisers.

Eleven-store Birch Drug has limited its exposure because the local DeMoulas supermarket chain is able to sell chemicals at retail more cheaply than Birch can buy them from vendors, said Andy Chiras, Birch's director of merchandising.

Receiving shipments of up to 10,000 cases at a time, DeMoulas has sold half-gallons of Wisk at $1.89. The vendor's deal price to Birch is $1.94, Chiras said.

Birch keeps an 8-foot convenience section, and will promote pre-price items, such as a recent $1.19 Lux offer, and Pledge at 99¢.





Source: National Housewares Manufacturers Assoc.

Market crash spurs industry buyback activity

Continued from page 1
industry has never been better," said Jack Fay, Bergen Brunswig's vp-communications, summing up the view of many polled.

Pharmaceutical and general merchandise suppliers to the trade also bought back shares, in moves viewed as votes of confidence in the industry's health as well as ways to support decimated stock prices.

R.P Scherer, Bristol-Myers, Schering-Plough and Gibson Greetings were among companies that announced stock repurchase plans.

"It is our belief that the acquisition (of common stock) at prices which do not reflect the company's full worth is an excellent investment opportunity," said Henry Panasci, Jr., Fay's chairman, after the board authorized the purchase of up to one million shares.

"This action will. . . enhance shareholder value, and reaffirms the (board's) confidence. . . in the company's future," Panasci announced Oct. 21.

Fay's stock lost 33 percent of its market value from Aug. 25 to Oct. 26, sliding from $9.125 to $6.125.

While the Dow Jones hit its lowest point on "Black Monday," Oct. 19, the total value of the retail and wholesale stocks tracked by *Drug Store News* continued to slide into the following week. Retail and wholesale stocks hit their lows on Monday, Oct. 26.

Many company spokesmen expected to see a rebound in their stock prices, and most

See **Crash,** *page 34*

Sells, new Revco ceo, mum on future plans

Continued from page 1

- The Twinsburg, Ohio-based chain expects to divest all of its noncore businesses ahead of the November 1988 deadline, set as part of Revco's commitment to reduce its bank debt by some $225 million. The latest development is Revco's agreement to unload its Baltimore-based Barre-National Division, maker of liquid pharmaceuticals and OTC drugs, to A.L. Laboratories of Fort Lee, N.J.,for approximately $95 million.
- Revco has not met its goal of increasing annual sales by 12 percent as part of its plan to stay abreast of its massive leveraged buyout debt load. But expense control is better, Sells said, and the "board is satisfied" that the company is meeting overall goals.

Chilling effect

Sells' reticence about possible store selloffs or market retreats is understandable. As an acknowledged "people oriented" executive (the description of Jeffrey A. Cole, chief executive of Cole National Corp., the billion-dollar specialty retailer where Sells earned his business spurs), Sells knows that a ceo's loose talk about strategic market changes can have a chilling effect on soldiers in the trenches.

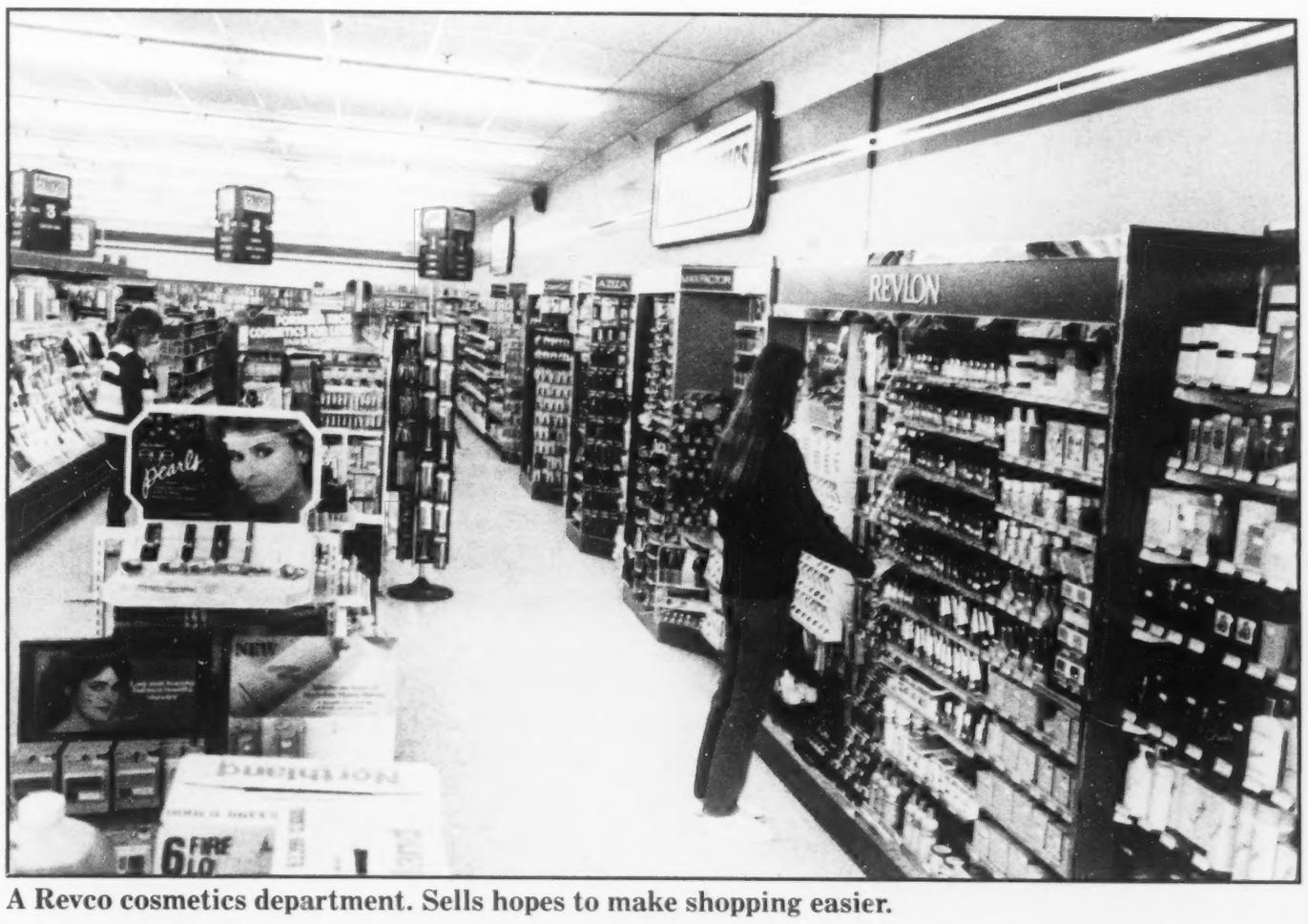
So while outsiders say that Revco has a number of markets that can't be defended and the company will have to trade stores and trim its scope in its efforts to regain lost strength, Sells will talk only in very general terms about the long-term scenario for his chain.

There are, he says, at least two basic changes that he is eager to make. First, he wants to introduce an "organized presentation" of merchandise at store level to make it easier for customers to shop. Second, he wants to take the complexity out of running the stores by eliminating much of the grinding paperwork.

Both goals are interrelated and both are driven by the desire to serve customers better. They also strike at the heart of Revco's recent operational headaches.

Sells, sensitive to the effect of his words on people in the field, is careful to blame Revco's well publicized past problems on "inadequate systems" that have failed to deal with the complexity of running a huge, farflung chain of more than 2,000 stores, rather than on the "very dedicated, very hard-working people" who are "eager to get on with it."

At another point, Sells says, "The stores have to be simplified," adding that the complexity has to be returned to headquarters and the distribution center. "The people in the stores have to be able to spend their time with customers, not paperwork."



A Revco cosmetics department. Sells hopes to make shopping easier.

Customer interaction is especially important for pharmacists, Sells notes. "The pharmacy's 'value added' is consultation. If the pharmacist is burdened with too many other things, he or she can't do that."

People's pay is priority

But among his first priorities is to iron out the details of people's pay and work conditions. You have to get it right," he says, "or people don't work well. They feel cheated."

The new chief executive also wants to see Revco become a leader in new product presentation. "If Procter & Gamble introduces a new toothpaste, we want to be first, or at least among the first, to have it on our shelves."

Sells made additional points during the interview, including the following:

- Revco will pursue an aggressive competitive policy based on "everyday low pricing" plus promotional tabs.
- Stores will become a dependable source of merchandise for consumers, as Revco puts greater emphasis on continuity and gets away from "fooling around" with categories, as Sells put it.
- Pharmacy is "going to be defended, protected, improved."

Above all, Sells says, "We're not going to be in a business where we cannot be competitive in every way." That includes price, easy-to-follow store layout, in-stock position, improved merchandise assortment and faster checkout, he says.

For the future, he adds, "There are going to be a lot more changes at Revco. What those changes will be is impossible to say. But I do know that we can serve the customer a whole helluva lot better."

Hook-SupeRx buys 19 drug stores in Va. and West Va.

Continued from page 1
company is meeting its costs, with working capital to spare. (See related story, p. 8.)

In a nine-month fiscal period ended Aug. 31, 1987, HSI opened a net of six drug stores, all Hook units, ending with 666 drug stores, it reported to the SEC in a registration statement that pertains to debentures it sold last year.

Industry sources said the sale made sense, since most of its Virginia units are in the West, closest to SupeRx markets, and Eckerd has been exploring the sale of other markets distant from its southeastern base.

Eckerd spokesman Michael Zagorac said the stores were sold as part of the company's ongoing "redeployment of assets."

Meanwhile, Eckerd revealed that it has withdrawn its offer to sell 31 stores in Maryland, Delaware and New Jersey. Zagorac said the company received "several offers that didn't recognize the value that we believe" the stores have.

The Eckerd spokesman said the chain plans "to grow" those markets and would remodel 10-12 stores there next year.

The sales of the 19 stores to Hook-SupeRx takes Eckerd out of West Virginia, where it had four stores, and leaves the chain with 13 stores in Virginia.

Sources in western Virginia markets said that Eckerd units in the Roanoke and Harrisburg metro markets haven't met performance goals against competitors, including SupeRx and Revco. Those Eckerd units in the small town markets in the state's western panhandle have fared better, sources said.

—David Vaczek

Pay Less NW acquires 24 Oscos, firms grip in Northwest

Continued from page 1
Bay Area markets.

Osco, which operates 646 stores, said several other chains also sought the sites. Pay Less said it had been pursuing several acquisition possibilities. The result was "a good deal for both of us," explained Pay Less executive vp Timothy McAlear.

Osco did not explain why it sold these stores, but one industry analyst told *Drug Store News* that the sales were part of the chain's overall realignment. Osco said its large Southern California market will stay intact.

Pay Less took possession of the Osco stores—which range in size from 16,000 square feet to 41,000 square feet, but average 20,000 square feet to 25,000 square feet—in mid-October. The deal included Osco's store personnel and merchandise, except the private label items.

The stores closed their doors briefly one evening to allow Pay Less to take inventory, and by the next morning the shift had been completed.

Name to be converted

Stores will operate initially under the Osco banner, but the name will be changed to Pay Less within a month, according to McAlear. As signs are converted, McAlear said the additional stores will be included in the company's advertising program. Until this is completed, special ads are being created to feature the Osco/Pay Less merchandise mix.

McAlear said Pay Less will "look at the strengths and weaknesses in those stores," then gradually change their merchandise mix to conform to chainwide standards. Although the core drug products will not vary significantly, McAlear said the Pay Less mix will increase the sporting goods, auto products, and hardware selection, using what had been seasonal space in Oscos.

Since many of the stores are in existing markets, McAlear said distribution would not be a problem.

McAlear considers the Spokane entry as an added bonus for Pay Less. "It's tough to go into a market like Spokane and find locations."

In Spokane, Pay Less faces competition from Pay 'n Save, Thrifty and Drug Fair, as well as competition from grocery operators Albertson's and Rosauer's, and one-stop-shopping stores Shopko and Fred Meyer.

FINANCIAL

Crash spurs stock buyback activity throughout industry

Continued from page 33

chains said sales appear to be unaffected by the stock crash.

"I don't think there's any relation between the price of the stock and what's happening in the marketplace," said Bill Combs, vp-administration and treasurer at Longs Drugs.

"As of this time—it may be a little too early to tell—we haven't seen any changes in consumer purchasing habits," said Combs.

Little effect on sales seen

"I don't anticipate much of an effect on sales," echoed Frank Bergonzi, senior vp-finance at Rite Aid.

"If it has an impact on consumer spending, I think it will be on the high-ticket items," Bergonzi added.

Gerald Nathanson, Pay 'n Save's chairman, though, detects some bearishness in shoppers. Nathanson said there has been "a dampening of enthusiasnm out there. The market itself is going to cause a slowdown in sales."

Among drug chains which had undergone leveraged buyouts, Revco was seen as particularly vulnerable because its LBO was based largely on sales of assets, which could be affected by a slumping market. But the chain feels well positioned, according to Greg Wilson, Revco's director of investor communications.

Wilson said Revco's asset sale program is well under way, and was substantially advanced last month with the sale of its Barre-National subsidiary to A.L. Labs for approximately $95 million.

"Certain debt of the company has interest rate risk, but the quick execution of the divestiture program, and normal company controls on cash flow, are ways to control the risk," Wilson said.

Gayl Doster, Hook-SuperRx vp and cfo, said the chain is protected by fixed interest rates on its buyout debt: "We feel we protected ourselves, and we feel very comfortable," said Doster.

Bergen Brunswig is considering a repurchase, since the stock is "an extraordinary value," said Fay.

He feels the stock crash stemmed from "investor fear, compounded by computer trading, concern about interest rates, and reaction by the foreign markets."

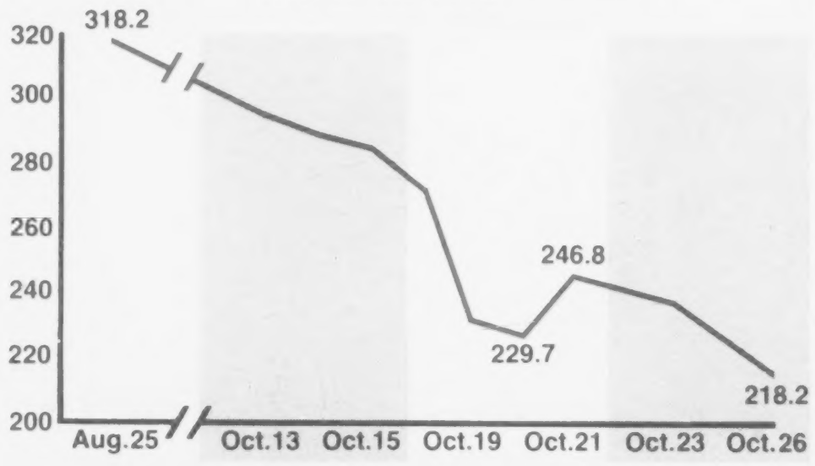
McKesson had repurchased 2.4 million of its shares in the year's first six months, and has authorization to buy an additional 1.8 million shares.

Douglas has tabled an IPO of 1.1 million shares at $5 a share, believing it would not receive full attention from investors until the market stabilizes, said chairman Haronian.

"When they're knee-deep in paper, the last thing they want to look at is an initial stock offering," said Haronian, adding: "We're not forced to go to the market, so we're taking a back seat."

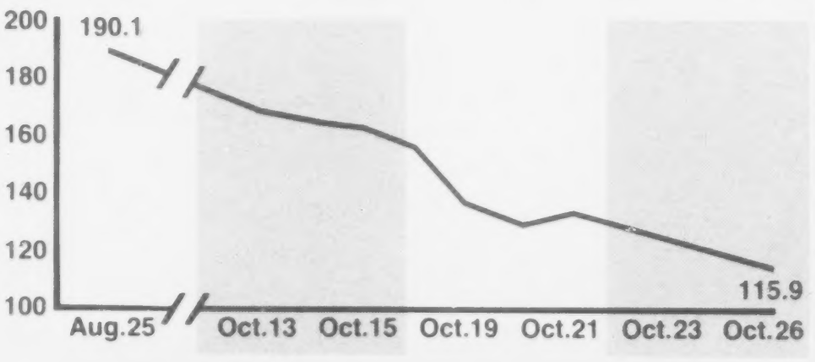
He said the chain planned to reevaluate when to make the offer at a board meeting set for Nov. 2.

Drug Store News Drug Chain Stock Index
Total stock values of 13 public companies
Aug. 25, Oct. 13-26



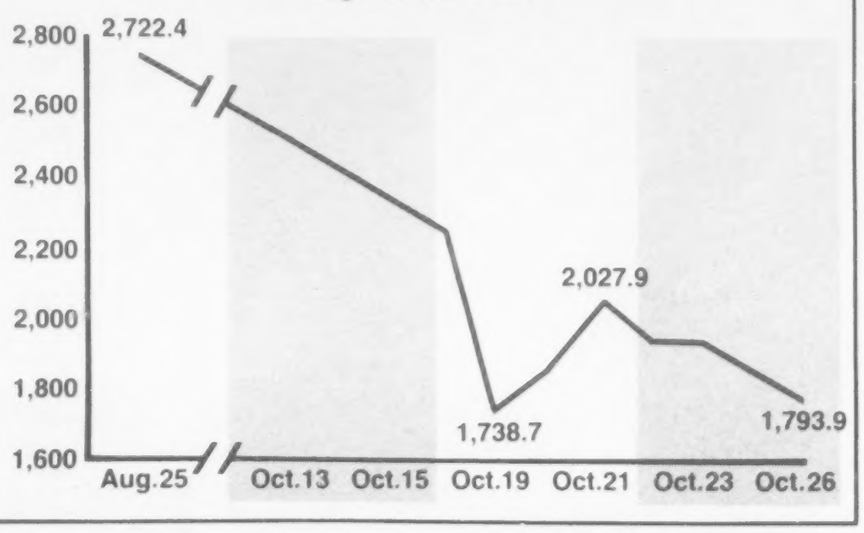
The Drug Store News Drug Chain Stock Index is the total of the stock prices of these 13 companies: American Stores, Arbor, Begley, Big B, Fay's, Genovese, Longs, Medicare-Glaser, Medicine Shoppe, Pay 'n Save, Perry, Rite Aid, and Walgreen.

Drug Store News Drug Wholesaler Stock Index
Total stock values of nine wholesale companies
Aug. 25, Oct. 13-26



The Drug Store News Wholesaler Index is the total of the stock prices of these nine wholesale companies: Alco Health Services, Bergen Brunswig, Bindley Western Industries, Cardinal Distribution, Durr Fillauer, Ketchum, McKesson, Moore Medical, and Owens & Minor.

Dow Jones Industrial Average
Aug. 25, Oct. 13-26



		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 10/09/87 - 10/26/87								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	73.75	48.50	54.13	-19.75	-26.73	86.25	48.50	3.79	.01 s	.3	13.5	.84	1.6
Arbor Drugs	ARBR	13.75	8.50	8.50	-4.75	-35.85	21.75	8.50	.81	-.16 f	-16.5	10.5	.00	.0
Begley Co	BGLY	16.25	11.50	13.50	-1.50	-10.00	20.00	11.50	.04	-.92 q	-87.6	NM	.72	5.3
Big B	BIGB	13.25	9.50	9.50	-3.50	-26.92	15.38	9.50	.61	-.06 s	-8.8	15.3	.06	.6
Drug Sys	DRGS	8.63	6.13	6.13	-1.63	-20.97	8.63	5.00	.56	1.04 q	NE	9.6	.45	7.3
Fay's Drug	FAY	8.38	5.25	6.13	-2.13	-25.76	10.00	5.25	.29	.27 s	225.0	15.7	.20	3.3
Genovese Drug	GDX	15.88	9.25	10.25	-5.50	-34.92	16.13	6.91	.34	.23 s	79.3	19.7	.16	1.6
Longs Drg Strs	LDG	35.75	25.38	28.00	-6.63	-19.13	41.00	25.38	1.78	.23 s	13.3	14.3	.80	2.9
Medicare Glaser	MGCO	4.00	2.31	2.50	-1.25	-33.33	5.25	2.31	.21	.37 q	NE	11.4	.00	.0
Medicine Shoppe	MSII	25.25	18.00	18.00	-7.13	-28.36	25.50	17.69	.67	.14 n	22.2	23.4	.00	.0
Pay n Save	PAYN	6.88	4.38	4.38	-1.38	-23.91	8.88	4.38	-3.32	-.48 n	NE	NE	.00	.0
Perry Drug	PDS	10.75	6.63	6.75	-4.00	-37.21	15.38	6.63	.59	-1.11 n	-100.0	NE	.22	3.3
Rite Aid Corp	RAD	38.88	28.50	29.75	-7.75	-20.67	46.25	27.75	1.89	1.59 s	100.6	9.4	.66	2.2
Walgreen Co	WAG	38.75	24.75	26.75	-11.38	-29.84	44.88	24.75	1.68	.01 f	.6	15.9	.60	2.2
Wholesaler's transactions														
Alco Hlth	AAHS	17.00	12.25	12.25	-4.75	-27.94	21.38	12.25	1.20	.01 n	.8	9.9	.00	.0
Bergen Bruns	BBCA	23.25	14.88	14.88	-8.63	-36.70	27.50	14.88	1.19	-.35 f	-22.7	12.5	.32	2.2
Bindley Wstn	BIND	10.25	7.63	7.63	-3.25	-29.89	17.00	7.63	.83	-.20 s	-23.0	11.4	.00	.0
Cardinal Distrb	CDIC	16.25	10.75	10.75	-5.75	-34.85	21.81	10.75	1.11	-.15 q	-11.9	9.7	.08	.7
Durr Fillauer	DUFM	11.50	8.50	8.50	-3.00	-26.09	13.88	8.50	.82	.02 s	2.5	10.5	.17	2.0
Ketchum	KCH	18.00	10.25	10.25	-7.63	-42.66	26.75	10.25	-1.40	-2.23 q	NE	NE	.00	.0
McKesson Cp	MCK	33.50	24.25	26.25	-6.63	-20.15	39.63	24.25	1.95	-.08 q	-4.0	13.5	1.28	4.9
Moore Med	MMD	21.75	12.38	12.75	-9.13	-41.71	33.25	12.38	1.53	.02 s	1.3	8.4	.00	.0
Owens & Minor	OBOD	18.75	12.50	12.50	-6.50	-34.21	22.13	12.50	1.24	.27 n	23.5	8.8	.36	2.9
Manufacturer's transactions														
Abbott Labs	ABT	59.38	40.00	43.38	-15.38	-26.17	67.00	40.00	2.32	.43 n	19.5	16.4	1.00	2.3
Am Home Prod	AHP	84.00	62.00	69.50	-14.50	-17.26	96.75	62.00	5.18	.55 n	10.9	12.4	3.34	4.8
Baxter Travenol	BAX	37.50	15.50	19.38	-7.75	-28.57	37.50	15.50	.79	.14 s	19.4	22.5	.44	2.3
Block Drugs Co	BLOCA	29.00	22.00	22.00	-6.50	-22.81	34.50	22.00	2.03	.26 q	14.1	10.5	.54	2.5
Bolar Pharm	BLR	21.75	11.00	13.38	-8.25	-38.15	26.50	9.75	.52	.15 s	35.7	23.5	.03	.2
Bristol-Myers	BMY	48.25	28.25	36.50	-11.38	-23.76	55.81	28.25	2.07	.36 s	18.5	15.8	1.40	3.8
Carter-Wallace	CAR	80.50	48.00	55.00	-21.88	-28.46	151.00	48.00	4.27	.55 q	14.1	12.4	1.08	2.0
Forest Labs	FRX	26.75	13.13	14.00	-12.75	-47.66	30.00	13.13	.77	.28 q	50.9	16.9	.00	.0
ICN Pharm	ICN	11.88	5.75	6.25	-5.50	-46.81	30.00	5.75	.52	1.70 n	NE	NC	.00	.0
Lilly Eli Co	LLY	93.88	57.75	65.88	-27.50	-29.45	107.75	57.75	4.01	.38 s	9.7	15.4	2.00	3.0
Lee Pharm	LPH	4.88	2.75	3.25	-1.63	-33.33	14.13	2.75	1.43	-.52 n	-52.5	6.9	.00	.0
Leiner P Nutri	PLI	12.00	7.38	8.25	-3.88	-31.96	20.50	7.38	1.01	.12 q	13.3	8.1	.00	.0
Marion Labs	MKC	33.38	20.13	22.50	-11.00	-32.84	41.50	17.81	.61	.26 f	74.3	36.9	.20	.9
Merck & Co	MRK	208.63	147.00	155.00	-45.00	-22.50	223.00	100.50	4.85	1.64 n	36.0	25.0	3.20	2.1
Morton Thiokol	MTI	52.88	31.00	34.00	-18.00	-34.62	54.75	31.00	2.90	.28 q	10.1	11.1	.84	2.5
Mylan Labs	MYL	13.88	7.63	7.75	-6.13	-44.14	17.38	7.63	.65	.03 q	4.8	11.9	.10	1.3
Newport Pharm	NWPH	5.25	2.81	2.81	-2.44	-46.43	8.63	2.81	-.17	-.23 q	NE	NE	.00	.0
Par Pharm	PRX	23.50	13.25	13.25	-8.75	-39.77	27.25	10.00	.45	.47 n	120.5	15.4	.00	.0
Pfizer Inc	PFE	66.00	40.00	45.00	-20.75	-31.56	77.00	40.00	3.90	.47 s	12.8	10.9	1.80	4.0
Robins, AH	QRAH	28.00	16.50	18.00	-10.13	-36.00	29.63	7.50	3.38	.80 s	29.5	5.1	.00	.0
Rorer Group	ROR	55.88	35.00	35.38	-20.75	-36.97	58.75	35.00	5.78	-6.69 s	-94.5	90.7	1.16	3.3
Scherer RP Cp	SCHC	15.63	11.63	12.00	-3.75	-23.81	21.88	11.63	.80	1.98 q	NE	14.0	.36	3.0
Scher Plough	SGP	52.50	31.25	39.00	-11.63	-22.96	55.25	31.25	2.17	.32 s	15.2	16.0	1.00	2.6
Squibb Corp	SQB	92.75	60.50	64.75	-28.38	-30.47	102.88	50.94	2.57	.64 s	27.1	21.6	1.20	1.9
Sterling Drug	STY	59.50	35.25	46.63	-12.00	-20.47	69.25	35.25	2.91	1.25 n	60.1	14.0	1.52	3.3
Syntex Corp	SYN	41.75	20.00	28.00	-13.25	-32.12	48.75	20.00	2.07	.53 f	34.4	13.5	1.00	3.6
Thompson Med	TM	18.75	11.50	11.50	-7.38	-39.07	25.00	11.38	.84	.14 n	14.6	10.5	.40	3.5
Upjohn Co	UPJ	40.75	22.63	27.50	-12.50	-31.25	53.75	22.63	1.35	.31 n	24.2	17.3	.60	2.2
Warner-Lambrt	WLA	83.75	48.25	59.25	-20.50	-25.71	87.50	48.25	4.18	7.04 n	NE	14.8	1.80	3.0
Zenith Labs	ZEN	7.00	3.38	3.63	-3.25	-47.27	13.50	3.38	-.19	-1.28 s	-100.0	NE	.05	1.4
Other Retailer transactions														
Albertson's Inc	ABS	32.00	20.25	23.00	-8.75	-27.56	34.00	20.25	1.50	.22 s	15.4	13.9	.48	2.1
K mart Cp	KM	37.88	21.63	24.13	-13.38	-35.67	48.38	21.63	2.98	1.70 s	112.6	7.5	1.16	4.8
Melville Cp	MES	69.88	44.50	50.25	-19.00	-27.44	84.00	44.50	4.40	.48 n	11.3	10.6	1.76	3.5
Penney, JC	JCP	56.88	35.25	37.50	-17.75	-32.13	66.00	35.25	3.53	.53 s	17.2	10.4	1.48	3.9

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

4/11/88 C5150-2

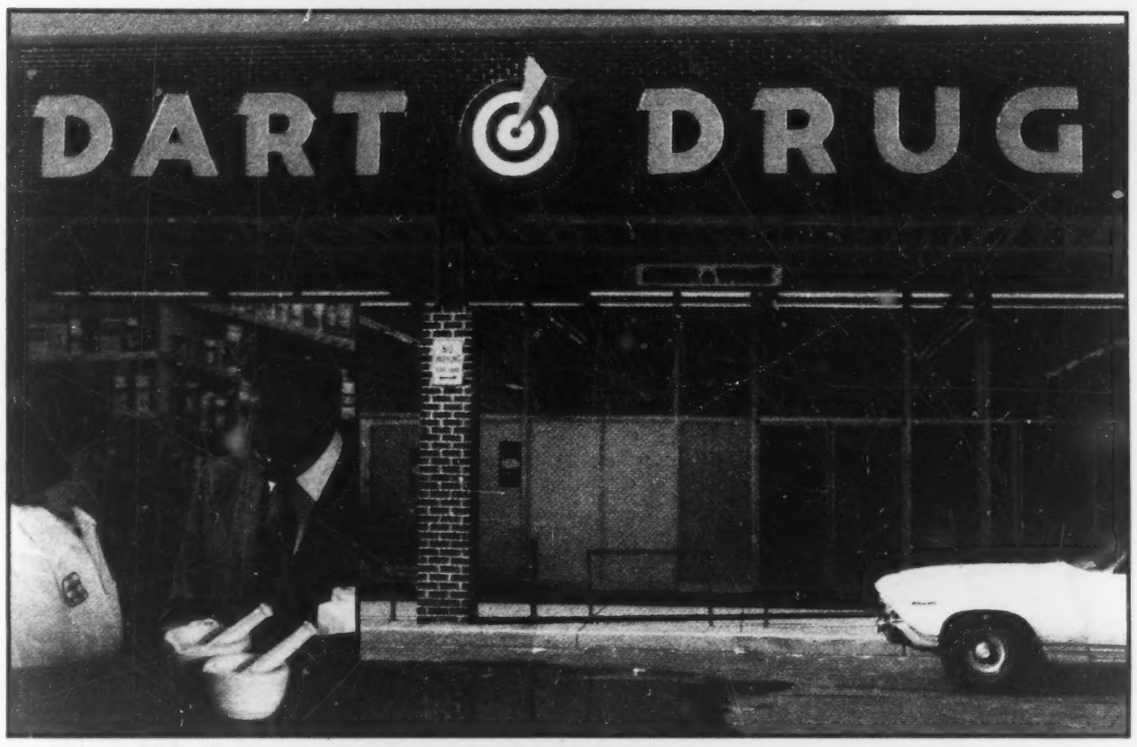
REX award winners listed —Page 9

Computers take on drug diversion —Page IP15

C. E. Lesson: Chronic renal failure —Page IP17

DRUG STORE NEWS®

Vol. 9/No. 23 **Serving chains, wholesalers and high-volume independents for 58 years** Published by Lebhar-Friedman Inc. November 23, 1987



Bud Fantle (inset), a pharmacist, is expected to emphasize prescriptions more than Dart ever has. The chain's script averages are well below the industry norm.

Fantle rescues Dart; new team in control

Hansbrough, Nehman replaced

By Al Heller

LANDOVER, Md. — Bud is in bloom again.

Specifically, Bud Fantle is in David Bloom's hair. Fantle, as the new Dart Drug Stores chairman, is working to cure Dart's fiscal ills and improve its competitive stance against Rite Aid, Giant, Safeway and Peoples Drug, where Bloom replaced Fantle at the helm a year ago.

Sheldon W. "Bud" Fantle, 64, heads up an investor group that closed an $8 million deal Nov. 6, giving Fantle control over 20 percent of Dart common shares and making him a major active player once again in the mid-Atlantic market he knows best. Including five leased sites that Fantle independently acquired this year and which will now be folded into Dart, the chain operates 85 drug stores in the greater D.C. area and five deep discount stores in Richmond, Va.

Calling the purchase a "great opportunity," Fantle told *Drug Store News* his first priority "is cleaning up stores and getting stocked for Christmas." That alone poses a challenge because

See **'Bud'**, *page 57*

Begley replaced as chain's chair

Farmer named to top spot

RICHMOND, Ky. — Robert J. Begley was replaced as chairman of the Begley Company this month by the board of directors, after the company posted a $434,745 second quarter net loss.

The board elected Tracy Farmer, a director since 1983, as chairman.

Farmer, 48, has wide business interests through his Lexington, Ky.-based Farmer Enterprises, which controls two banks, several shopping centers, and family-style restaurants named "T.W. Lee" and "T.W. Seafood."

"The board felt it needed to have an outside director as chairman to monitor the operations more closely," Robert Maddox, a director, and partner in the Louisville, Ky., law firm of Wyatt, Tarrant, and Combs, told *Drug Store News*. The change was endorsed by a board majority on Nov. 2.

The decision was sparked by board unhappiness with the performance of the 45-store drug division, and "unexpected write-offs that led to lower than expected profits for the last year," said Maddox. He said the company's 137-store dry cleaning segment is "very healthy and profitable."

Maddox said the board will support "cost cutting actions [that will be] taken shortly." They will likely include the sale of a 10-seat corporate airplane.

Tracy Farmer
New Begley chaiman

"They do need a plane to service the dry cleaning operations. The board just thinks it needs to be downsized," Mad-

See **Bob**, *page 57*

Stocks on rebound after Black Monday

Retailers gain 8 percent in 2 weeks

By David Vaczek

NEW YORK — Drug retail and wholesale stocks bounced back along with the stock market, after they hit bottom a week following the Oct. 19 crash.

The value of 13 retail drug company shares rallied 8 percent from Oct. 28 to Nov. 9, according to the *Drug Store News'* Drug Chain Stock Index.

The rise mirrored a 9 percent hike in the Dow Jones Industrial Average from its low Oct. 19 through Nov. 9.

The value of nine drug wholesale stocks grew 9 percent from an Oct. 28 low to Nov. 9, but they've recovered less total value than did retailers and the DJIA as a whole since falling from their summer peak.

Wholesaler stocks were 38

Continued on page 58

What a week for market crash rumors!

Wall Street's recent nosedive has given rise to a slew of rumors about the financial state of the chain drug industry and some of its biggest participants. Most are unfounded, but some continue to swirl as the economic uncertainty bred by the unstable finan-

See **Rumors**, *page 57*

LATE NEWS

- MINNEAPOLIS — The 21-unit Rainbow Foods chain of 60,000-sq.-ft. warehouse stores here is installing its first pharmacy in a remodeled Robinsdale store, and plans two more in other suburban units scheduled for summer openings, said Sid Applebaum, president and chief operations officer of the Gateway Foods division.
- OAK BROOK, Ill. — Osco Drug has promoted Bob Vonderhaar to the new position of group merchandising manager. Mark Panzer, formerly in store development for the 650-unit chain, has been named to Vonderhaar's former post as regional marketing manager.
- DURHAM, N.C. — Drug Emporium just entered this market for the first time, and this month opened additional stores in Dallas and Dayton, Ohio, to bring its total roster to 134 units, ceo Phil Wilber told *Drug Store News*. The chain will open two stores in Atlanta in January, raising its count in that market to 18.

F&M wraps up 10-store deal with SGC

Plans quick expansion into Philly, D.C., other markets

TROY, Mich. — F&M Distributors finalized its purchase of 10 off-price drug stores from Supermarkets General Corp. Oct. 27, and will move quickly to extend its reach into new markets in Baltimore, Philadelphia, Washington, D.C. and elsewhere.

"We'll move quickly to capitalize on our acquisitions," F&M President Frank Newman told *Drug Store News*.

The 10 former Pathmark Super Drug stores include several in the Baltimore/Washington area, as well as Richmond and Tidewater, Va., and Syracuse and Albany, N.Y. The sale, whose purchase price was not disclosed by either company, marks SGC's exit from deep-discount drug retailing after a four-year venture with Super Drug.

For fast-growing F&M, meanwhile, the acquisition marks "substantial new growth opportunities," according to Newman. The buy will allow the off-price chain to leap far beyond its current

See **F&M**, *page 57*

Frank Newman
Targets new markets

NEWS IN BRIEF

Shkolnik joins Perry Drug's Auto Works

PONTIAC, Mich. — Alan L. (Larry) Shkolnik has been named senior vp-marketing of Perry Drug Stores' Auto Works division. The announcement was made by Peter T. Murray, who himself was elevated only last month to president of the division, which operates 243 discount stores in eight states.

Shkolnik, 46, was most recently president and ceo of Lucky Stores' automotive division and had previously served as president of Nationwise of Columbus, Ohio. Earlier, he founded and was president of Benny's Car Parts, also in Columbus.

"Larry is a very talented executive with years of experience in this business," Murray commented. "His entire background reflects a history of running auto parts stores, with an emphasis on marketing, advertising and merchandising."

Spielfogel named new exec vp at Austin

NEW YORK — Gary Paul Spielfogel, the 32-year-old son of Interstate Cigar Chairman Sidney Spielfogel, has been tapped for the newly-created position of executive vp at Austin Drugs, which is owned by Interstate.

The younger Spielfogel, who said he reports to Lawrence C. Aaronson, Interstate's president and ceo, described his new responsibilities as "100 percent directed toward the profitability of Austin and the development of a better image for our stores." Currently, he said, he is familiarizing himself with the nine-store chain's operations and working with Austin President Gary Lefferts.

The new executive vp joined Interstate in 1977 and was involved in purchasing and special international assignments there before his appointment at Austin.

Culver accepts presidency of St. Ives

Culver

LOS ANGELES — Mac Allen Culver III, who formerly held high posts with Pay 'n Save and Gray Drug Fair, has been named president of St. Ives Laboratories, based here.

He succeeds Robert A. Neher, who requested reassignment of duties for health reasons.

Culver, 45, was most recently vice chairman and ceo of Pay 'n Save. Prior to that, he was president of Gray Drug Fair in Cleveland.

"Mr. Culver's management background, combined with his merchandising and distribution experience, will be a significant asset in contributing to the realization of the future growth objectives of the company," said Gary H. Worth, St. Ives chairman and ceo.

St. Ives, which manufactures and markets personal care products under its Swiss Formula brand, completed its initial public offering in July, at which time its net sales volume was approximately $78 million.

LaVerdiere's Dahlquist, Poulin promoted

WINSLOW, Maine — LaVerdiere's Super Drug Stores has announced two promotions to vice presidencies. Samuel Dahlquist has been named vp-pharmacy operations, and James Poulin has been appointed vp-purchasing. Both were previously assistant vps.

Dahlquist's new responsibilities include pharmacist recruitment and placement, store buyouts, store openings and supervision of the Action Mail Order Division. He has been with the company since 1973.

INDEX

Beauty Beat	30	NAGMR photos	31
Continuing Ed	IP17	NARD photos	IP10
Editorial	6	Trends/Private Label	26
Financial	58	REX winners	9

Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, as well as an extra Annual Pharmacists Guide to OTC Patient Counseling in October, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: Infield subscribers, retailers and wholesalers, one year $19.50; two years $35. Out-of-field subscribers, manufacturers, schools, libraries and all others, one year $39. Single copy rate $2. Foreign subscriptions: Airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1987 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. For change of address six weeks notice to Subscription Dept., 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.
Vol. 9, No. 23 November 23, 1987

Perry Drug consolidates, realigns staff to cut costs

PONTIAC, Mich. — Perry Drug Stores has completed a consolidation and realignment program that included the reduction or reassignment of about 60 administrative and office staff people and the shrinking of some departments to cut costs.

In line with those reductions, the chain has also delayed indefinitely its previous plan for a new corporate headquarters building in downtown Pontiac. The chain's current facilities, which are housed in scattered sites around the Pontiac area, are now "more than adequate to serve the company's requirements," according to Perry Chairman Jack Robinson.

The consolidation program included merging the operations of two older warehouses into a newer, highly automated distribution center in Dayton, Ohio, and the gradual integration of Perry's acquisitions of retail auto parts chains into a unified Auto Works division. Perry closed two warehouses—in Muncie, Ind. and Columbus, Ohio—and moved their inventory and personnel into Dayton. It also closed three satellite offices in the Pontiac area.

"We have been working on this program for some time. These actions streamlined our administrative staffs," said David Schwartz, Perry's new president and coo. "This consolidation will make us more efficient and productive."

Under the realignment program, Perry's core drug store business was divided into four groups headed by veteran Perry officers (see *Drug Store News*, Sept. 28). The realignment also saw the departure or reassignment of some department heads and the promotion of others, including Myron Winkelman to head of pharmacy operations, and Keith Cunningham, director of advertising. They and other department heads now report directly to Schwartz under the new corporate plan.

Moves made to cut costs, duplication

"We made some of the staff reductions and reassignments last July, and completed them this month," said Perry vp-corporate communications, Berl Falbaum. "It was partly the result of cost-cutting efforts, and also because of some duplication resulting from our acquisitions."

Scwartz noted that none of Perry's drug or auto parts stores had been affected by the staff reduction.

Philly Carrefour to open in Jan., but Long Island unit is delayed

PHILADELPHIA — Carrefour U.S.A. will open its first North American hypermarket outside this city in January, provided construction remains on schedule. Plans for a second Carrefour market in Long Island's densely populated Suffolk County, however, remain bogged down by local opposition.

The Paris-based company operates 100 giant hypermarkets in Europe and South America, but has run into obstacles in its first attempts to penetrate the U.S. market. The firm postponed until January 19 at the earliest its planned opening of the first U.S. Carrefour in the Philadelphia suburb of Bensalem, due to bad weather and construction delays.

Meanwhile, a second, 150,000-square-foot store planned for the Long Island community of Brookhaven has run into determined protests from local residents.

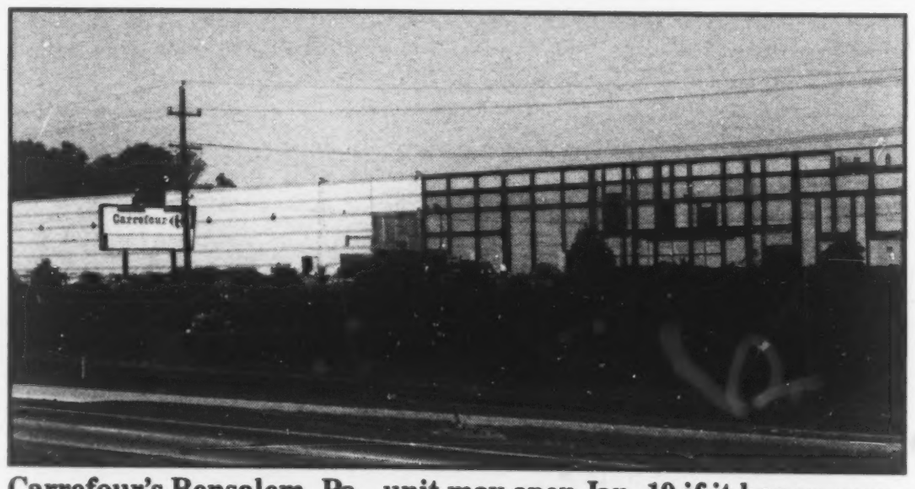
"The January opening in Bensalem depends on the completion of construction and assurances that the weather will hold out," said Carrefour spokesman Gary Lewi. "On Long Island, we're on track, but we've been delayed by the approval process.

"We're willing to put up the money needed to insure that the environmental and traffic concerns of Suffolk County residents are satisfied," Lewi said about the N.Y. delay.

Suffolk County is home to 1.5 million residents, many of them in high-income brackets. The proposed hypermarket there would be adjacent to a major traffic artery, Lewi said.

The hypermarket under construction outside Philadelphia is a 330,000-square-foot retail conglomerate which will open on the site of a former racetrack. It will feature equal amounts of food and general merchandise, including large selections of H&BA, in 200,000 square feet of selling space. The facility will also contain ancillary shops, including a bank, jeweler and dry cleaner, as well as a day care center for store personnel.

Upon completion, the hypermarket is expected to generate up to $80 million in annual revenues, with warehouse store pricing.


Carrefour's Bensalem, Pa., unit may open Jan. 19 if it has no more construction delays and the weather permits the work to continue.

Five new combos slated:

Cullum has record first quarter

DALLAS — Cullum Companies, which operates Tom Thumb-Page food and drug centers, posted strong sales and record earnings for its fiscal first quarter ended Oct. 17.

Revenues for the 16-week period increased 18 percent, to $348.7 million, from $294.4 million in the year-earlier period. Net income hit a record $5.4 million, or 33 cents a share—a 14 percent gain over the $4.8 million, or 29 cents a share, in the first quarter last year. (Last year's earnings per share have been adjusted to reflect a three-for-two stock split paid in September 1987.)

Earnings as a percentage of sales, a barometer in the supermarket industry, were 1.56 percent.

Calling the first-quarter earnings "the best in our history," Jack W. Evans, Cullum's chairman and ceo, said, "Our strong merchandising plan, combining price reductions, budget buys and special features, is delivering to our customers a lot of solid value. We will continue to merchandise aggressively to maintain this sales momentum."

Cullum opened one Tom Thumb unit here during the first quarter, replacing one that closed. In addition to a Tom Thumb-Page combo store scheduled to open soon in Arlington in a former Safeway, the company has four new combos under construction: in Dallas, Round Rock, Austin and Fort Worth.

Two new Hypermart*USA stores are also being built, in a joint venture with Wal-Mart Stores: One, in Garland, will open early next year, and another, in Arlington, is expected to open next summer.

In addition, two Simon David specialty stores are under construction, in Dallas and Austin. A new Page Drug unit will being opening soon here, a company spokesman added.

DRUG CHAIN AD TRACKING SERVICE

Most frequently advertised store brands

(print ads, top 15 drug chains, Aug. '87)

Store brand	% of total store brand ads tracked
Eckerd Drug	17.3%
Peoples Drug	16.5
Thrifty	14.8
Osco Drug	14.2
Giant Food & Drug	8.7
Walgreens	7.5
Pathmark	6.5
Revco	5.3
Hook's	3.5
Centsible Drug[1]	2.7
CVS	1.7
Drug Mart	1.3
Total	100%

[1]Centsible is a voluntary program operated by Dik Drug Wholesalers in Chicago

Source: Vereen & Associates

Comparison of Chain Drug Store Ad Prices For Store Brands*

Product Category/Item	Count	Chain	Ad Price
Batteries			
C or D	two-pack	Walgreens	$1.39
9-volt	One	Walgreens	$1.39
C or D	two-pack	Osco	$0.99
AA or AAA	two-pack	Osco	$0.99
Vitamins			
Vitamin E	100 capsules	Eckerd	$1.99
Vitamin C Chewables	100 capsules	Giant	$1.99
Vitamins Super B Complex	60 count	Pathmark	$2.59
Lens Care			
Saline Solution	4 ounce	Walgreens	$1.99
	12 ounce	Walgreens	$2.69
	12 ounce	Peoples	$1.39
	12 ounce	Revco	2/$3.00
Deodorants			
Roll-on	2.5 ounce	Eckerd	$2.39
	2.5 ounce	Thrifty	$1.29
Body Powder	13 ounce	Peoples	2/$3.00
Film			
HR Color Disc	15 exposures	Hook's	$0.99
Color-110	24 exposures	Thrifty	$1.79
Nail Polish Remover	6 ounce	Centsible	$0.69
	6 ounce	Eckerd	2/$0.99
	6 ounce	Drug Mart	2/$0.99
	6 ounce	Osco	2/$0.99

*Ad prices in August 1987 chain drug print ads

Source: Vereen & Associates

Trends in chain drug store store brand advertising

1. The most frequently advertised store brand category was vitamins.
2. Other categories frequently advertised included lens care, batteries, trash bags, deodorants, diapers, pain relievers, snacks, toothbrushes, tapes, panty hose and nail polish removers.
3. Prices ranged from as low as two for $1.00 6-ounce nail polish removers (Eckerd) to as high as $7.99 for 48 medium or 32 large diapers, extra absorbent (Osco), and 100 count 400 IU Vitamin E (Pathmark).

Walgreens had the lowest multi-item price in the audit: five pints of ice cream for $2.00.

Pathmark and Osco had the highest-priced store brand advertised items: 100 count Vitamin E 400 IU and Thin Extra Absorbent Diapers, 32 or 48 count respectively,

4. The majority of store brand ad items ranged in price from 99 cents to $2.69.
5. Of all chain drug advertising during the month of August, 4.6 percent was devoted to store brands.

DrSN launches monitoring of chain ads

NEW YORK — Starting with this issue, *Drug Store News* is proud to introduce a new reader service: an exclusive review of Drug Chain Store Advertising Activity by Select Product Categories.

On a regular basis, we will publish an Ad Activity chart that will help you determine at a glance the following information:

- The percentage of chain drug store advertising devoted to a specific product category;
- The most frequently advertised manufacturers within a given product category and their most frequently advertised brands;
- The percentage of total ad space given to a manufacturer within a product category;
- The most frequently advertised prices for the brands that are being promoted; and
- How drug chains compare to food chains and mass merchandise chains on the amount of ad space they give each product category.

See related private label merchandising stories in* Inside Pharmacy, *starting on page IP26.

The information in each ad category review is being provided by Vereen & Associates, a management and marketing consultant company based in Indianapolis.

Vereen's tracking service covers 100 percent of ad activity on over 40 drug store product categories. The service currently monitors the print ads of the Top 15 drug chains as well as print ads of most major discount chains and food chains.

By January, Vereen will be monitoring the ad activity of the industry's 30 highest volume drug chains.

This first *Drug Store News* article on Vereen's ad tracking service reviews ad activities in the store brand/private label category. Future issues will also report on ad activity trends in many of the product categories we regularly cover.

Buyers, merchandisers, store owners and advertising directors will find these subsequent special reports in this newspaper's "Trends" section.

We hope you'll be able to use these charts as a tool for measuring and evaluating your current advertising strategies relative to the national market. At a glance, you should be able to see if your own ad programs include the most frequently advertised brands within your core categories. You can also use the charts, and their accompanying information boxes, to monitor current pricing strategies, and as a way of identifying categories where ad opportunities are being neglected.

At the same time, you should also be able to identify categories where the pricing competition is currently very intense, and that will give you the option of deciding whether you want to back away from "banging heads" in these categories until the price competition has eased up somewhat.

If you would like to see the information interpreted in additional ways, please write or call us and express your opinion. Ask for Liz Parks.

Bob Vereen: a profile

INDIANAPOLIS — Bob Vereen, president of Vereen & Associates, launched his innovative H&BA/OTC Ad Activity Tracking Survey in May of this year.

The Ad Survey currently tracks 100 percent of the ad activity of 40 H&BA/OTC Categories. Currently Vereen is tracking the print ads of the Top 15 highest volume drug chains and should have all Top 30 chains in his survey by January 1988. He is also tracking the print ads of the major food and mass merchandise chains, including K mart and Wal-Mart.

Vereen started his career in retail distribution in 1950 as a reporter for a hardware magazine. In 1953, he joined the National Retail Hardware Assoc., and was quickly promoted to managing editor of its Hardware Retailer *publication.*

In 1959, Vereen became managing director of Liberty Distributors, the oldest and largest merchandising group in the hardware/home center industry.

In three years, he tripled Liberty's business.

In 1963, Vereen returned to NRHA as editor. In 1984, he became senior vice president, and in 1985, he assumed the additional responsibilities of executive director of the Home Center Institute.

Earlier this year, he took an early retirement to launch the Vereen H&BA/OTC Ad Activity Survey, and is currently marketing that survey to major industry manufacturers.

During the course of his extensive career, he has visited more than 12,000 retail stores around the world. He knows most of the major wholesalers in the country and he has close relations and a good working knowledge of most of the major manufacturers and their respective industries.

Vereen's ad tracking survey will be a special feature in Drug Store News.

FINANCIAL

Imasco reports higher sales, earnings

MONTREAL—Imasco Ltd., parent of Peoples Drug Stores and Shoppers Drug Mart, reported increases in sales and earnings for the second quarter and six months ended Sept. 30.

Revenues in the second quarter edged up to $1.23 billion Canadian, from $1.15 billion Canadian in the comparable period a year ago. Net income rose to $77.03 million Canadian, or 61 cents per share, compared with $55.61 million Canadian, or 44 cents per share, in the same period last year.

Six-months revenues reached $2.4 billion Canadian, against $2.2 billion Canadian in the comparable year-earlier period. Net income also rose, to $147.2 million Canadian, or $1.17 per share, from $108.5 million Canadian, or 92 cents per share, in the same period last year.

Wellby parent's net, sales up

SCARBOROUGH, Me.—Hannaford Bros., which operates Wellby Super Drug Stores, announced increases in sales and net income for the 13- and 39-week periods ended Oct. 3.

Revenues for the 13 weeks hit $267.3 million, up from $234.9 million in the comparable period a year ago. Net income rose to $6.8 million, or 74 cents per share, compared with $5.9 million, or 64 cents per share, in the year-earlier period.

For the 39 weeks, revenues were $763.3 million, versus $655.2 million in the period last year. Net income jumped to $18.6 million, or $2.03 per share, in the period, from $14.4 million, or $1.57 per share, the previous year.

Melville boosts sales, net income

HARRISON, N.Y. — The Melville Corp., owner of CVS Stores and Freddy's Deep Discount, reported sales and net income boosts for the third quarter and nine months ended Sept. 26.

Sales rose to $1.4 billion for the third quarter, from $1.3 billion in the comparable period last year. Net income hit $51.7 million, or 95 cents per share, up from $47.3 million, or 67 cents per share, in the third quarter a year ago.

Nine-month sales were $3.9 billion, against $3.5 billion the previous year. Net income for the nine months was $123.5 million, or $2.27 a share, up from $104.6 million, or $1.93 a share, in the comparable period last year.

Quarterly figures up for Medicare-Glaser

ST. LOUIS—Medicare-Glaser announced increases in net sales and earnings for the second quarter and six months ended Sept. 30, as well as plans to repurchase up to 250,000 shares of its common stock.

For the quarter, net sales rose 18 percent, to $25.7 million, from $21.8 million in the comparable period in fiscal 1987. Net earnings increased to $196,000, or 6 cents per share, from $128,000, or 4 cents per share, in the year-ago period.

For the first six months, the company reported net sales of $51.5 million, an 18.6 percent increase over last year's $43.4 million. Net earnings also rose, to $223,000, or 7 cents per share, from $132,000, or 4 cents per share, in the comparable six months a year ago.

The corporation's board of directors authorized the purchase by Medicare-Glaser of up to 250,000 shares of its common stock, 50 cents par value, in open market transactions. The company currently has 3,040,524 shares of common stock issued and outstanding.

Commenting on the repurchase, president and ceo Harlan Steinbaum said, "It is our belief that the acquisition by the company of its common stock at prices which do not reflect the company's full worth is an excellent investment opportunity. This action will serve to enhance shareholder value and reaffirms the confidence of the Medicare-Glaser board of directors in the company's future."

Steinbaum added that the firm plans to open one full-line drug store in the third quarter and another in the fourth quarter of this fiscal year. Medicare-Glaser closed two full-line drug stores during the second quarter, by combining their operations with two larger full-line drug stores, he said.